

**City of Emmetsburg
City Council Meeting**

September 23, 2002

Regular Session

The Emmetsburg City Council met on the above date in the Council Chambers of City Hall with Mayor Myrna Hedding presiding and the following council members answering the roll call: Tim Harthan, Steve Finer, Pat Degan, Linda Koppie, Bill Zeigler and Kirk Haack. Also attending the meeting were City Administrator John Bird, Police Chief Eric Hanson, Public Properties Director Bill Dickey, Community Developer Tom Alger and Mediacom Representative John Varvel.

Moved by Koppie, seconded by Harthan to adopt the agenda as presented with all council members present voting aye and motion carried.

Emmetsburg City Council Meeting
City Hall Council Chambers
September 23, 2002
7:00 P.M.
Regular Session

Call Meeting to Order

Roll Call

Adopt Agenda

Approve Consent Agenda

- * Approve Previous Minutes of September 9, 2002
- * Approve August 2002 Financial Statements
- * Approve Fire District Permit - Tim Naig
- * Approve Application for Tax Abatement - Jason Stevens
- * Approve Renewal On-Premise Liquor, Wine or Beer, Sunday Sales and Outdoor Service - VFW

Report of Officers

- * Mayor Myrna Hedding
- * City Administrator John Bird
- * Police Chief Eric Hanson
- * Public Properties Director Bill Dickey
- * Community Developer Tom Alger
- * City Attorney Mike Brown

Standing Committees:

- * Finance, Ordinance and Personnel Committee Meeting held Sept. 23, 2002 at 6:30 pm.

Unfinished Business:

- * Second Reading of Ordinance No. 480 - Amending Municipal Code Title 8, Chapter 1 - Dogs, Cats and Domestic Animals Pertaining to Animal Waste and Penalties
- * Consider Awarding Bid for 1993 International Garbage Truck with 20-yard Leach Alpha Packer
- * Consider Schany Construction's Request of 30-day Extension - South Grand Infrastructure Project

New Business:

- * Public Hearing at 7:15 PM for Ordinance No. 482 - Municipal Infractions
- * Mediacom Representative John Varvel - Discuss Renewal of Franchise Agreement
- * Consider Approving Recommendation to Fill Police Secretary Position
- * Consider Approval of Resolution No. 02-39 - A Resolution to File Street Finance Report
- * Set Halloween Trick or Treat Date and Hours

Mayor Myrna Hedding: Okay we move to new business then um the next item under new business is Mediacom Representative John Varvel, Is that you sir?

John Varvel: Hum.

Mayor: To discuss renewal of the franchise agreement.

Varvel: Let me take just a moment to introduce myself and pass out my business cards. Would you take one and pass them around. My name is John Varvel. I am the government relations hm, hm, excuse me, I'm the government relations manager for this area. Um, Tom Bordwell sent out the a what we call the 626 letter for the a to start the franchise renewal process. And I will be working with Tom taking the lead on that. And I'm here at your pleasure. I will try to answer any questions you have.

Councilman Tim Harthan: Right now you don't have anything to show us in writing at all financially.

Varvel: I am in the process of a, of a of taking a standard a franchise document we use and a, a customizing it for the City of Emmetsburg and I would plan to get that in the mail to a, a probably to John within the next a, oh I'd give myself a week or ten days. A, it will be a draft statement for a, um, I can send that two ways, I can send you a hard copy or if you'd prefer I can send you a email or so that its on computer so that you can have it in your computer bank so you can make when you want to make changes it is there to make changes with. In fact I could send it both ways to you and um, um the franchise document that I'm going to share is a standard document that we use for franchise renewal. A lot of it is boilerplates it will be specifically tailored for the um historical um, um franchise fee that the city levy. It will be a in there and a obviously in the city limits of a whars allowed to change to whatever you want and um I will be glad to meet with the commission or a working group of the commission at anytime during the process.

Councilman Pat Degen: I have a question, um. I think Mediacom's service help has been good here. I do have people asking me why we are paying more than other City's serviced by Mediacom. I guess I have a question. Why are we paying more than then, then Algona, then Laurens, then Spencer?

Varvel: Well Algona and Spencer are two communities where there are two providers and the prices in those communities are not in the real world. Neither provider is even recovering the cost of their investment at this point in time. Um they're just covering a programming cost and operating cost and a they're not recovering any of their investment and they're not making any profit in those communities.

City Administrator John Bird: Are you talking about Mediacom or their competitor?

Varvel: I'm talking about Mediacom and their competitor's prices are down where ours are and they are in the same boat we are. And both of those happen municipal over build.

Bird: So, I don't, I don't really know if that answers the question. Unless I misunderstood your questions, I mean if you can sell it for a price in a community thirty miles from here why can't it be sold at the same price here? I guess.

Varvel: We're losing money in that community.

Bird: So are we subsidizing those communities?

Varvel: No you're not subsidizing those communities. The company as a whole tends to make a profit, but we're not making a profit in those communities at this point in time. We are not even recovering our investment and I dare say that the cities are not recovering their investment or making any profit at this point in time.

Bird: It's probably a good thing that the City of Emmetsburg was willing to give you that land out here for a dollar. You know, because if you'd have bought it at fair market value a Mediacom as a whole would probably be having even a tougher time.

Varvel: I don't know. I'm not familiar with that transaction. Is that the site for our sup master head end?

Bird: Yes it is.

Varvel: I know that the

Bird: I think that we've had two

Varvel: I know that the with this area locates have an Emmetsburg address and that could be we feed all the communities for several miles in every directions off from that head end.

Bird: I think we've had two rate increases since that was more or less given.

Degen Um, mm. I guess I thought we should get some kind of a bonus for giving that land. I mean.

Varvel: Right. I'm sorry I was not involved at the time that land was given. I don't know anything about the negotiations on that um um.

Bird: Well let me. Can I ask you this sir? If we were to if we ah were to be aggressive about going out and, and attracting some other company in the telecommunications business to offer a cable television would it be reasonable to assume than that our rates would drop down to what Spencer's, Lauren's and Algona's are?

Varvel: Well first let me take that in two stages.

Bird: Okay.

Varvel: We do what we have to in a for a, a limited period of time to maintain our, our subscriber base.

Bird: Okay.

Varvel: Um. In order to come into a community like this it takes several million dollars of investments and um, um our franchise is not exclusive.

Bird: I understand that.

Varvel: You certainly have the liberty to go out and solicit other providers and see if they are interested in the market. I don't know whether the providers will carry you um, um and if somebody else came in it would depend on what they were offering, what kind of product they were offering to how we would respond to that.

Bird: Well I would think it would be in the best interest of our public consumers in the City if it weren't the City, I mean if it wasn't a municipal system and if we could find another provider it would be in the interest of all of us as consumers, because I would think that with the competition our rates would be better.

Varvel: Well most, most companies and I can't speak for any other provider but for example we've had invitations to come into communities where there is already a provider and our response has basically been that um, um we're not interested in overbuilding a community that already has got a provider and get a portion of the market. In order to pay for your investment into a community a you need well over 60 percent more like 70 percent of the um, um market. Just to at the price compared to the you need 70 percent or somewhere around there. I don't know the exact break-even percentage but you need a significant percentage of the market in order to make that a paying proposition. And when you have two providers if you both end up with half the market and neither one of you makes any money.

Bird: Well and I guess if I were making the decisions for Mediacom um and you had communities asking to come in and overbuild and compete with the incumbent and you look at that as being an option on how to make yourself whole or um make better profits for your stock holders or whatever the case may be so that's one option or you can just increase the rates in the communities your in now that there is no competition every time another community comes up with another competitor which is the case that's what's happening in Emmetsburg. You keep raising our rates and we're subsidizing the communities

Varvel: We are not raising your rates to subsidize Spencer or Algona. Your rates are the same as they are in, in South Dakota or Minnesota, Illinois um.

Bird: But how about Spencer?

Varvel: Our rates are competitive with other providers, providing a similar product.

Bird: Where you are the only provider.

Varvel: Where we are the only provider, compared to other cities where other providers are there and offering the range of services that we're offering are and the quality of product we're offering our prices are competitive with them our prices are competitive with throughout the industry in that regard.

Councilman Kirk Haack: Will we be getting some supporting documentation for that with your franchise renewal request?

Varvel: I, I what are you speaking of when you say supportive documentation?

Harthan: Documentation that we are getting charged the same as people in South Dakota and Minnesota who don't have any other competition in their town. I think that's what Kirk is asking.

Haack: hm, hm.

Varvel: I can provide a you a some information

Harthan: You made the statement, no prove it.

Varvel: You tell me what towns you want comparisons on and

Harthan: You said you can pick them out. I don't care.

Varvel: I've got a comparison for Iowa that uh I was advised that before hand that you folks were interested in a comparison. And here's a comparison for the state of Iowa or in this area of Iowa.

Council person Linda Koppie: Now that you're aware of the property transaction would there be any way to reduce fees, reduce rates and?

Varvel: I don't know uh, uh.

Koppie: To compensate for that

Varvel: I don't know, I don't know what negotiations took place at that time. I can raise the question. I can raise the question, but I don't know what negotiations took place at that time. I don't know what the conditions were or anything else. Um, um.

Haack: These, these are all Mediacom fees.

Varvel: Those are Mediacom cities.

Bird: But then these are cities where there is no other provider.

Varvel: That is correct and where I put um the last column on there says um um Spirit Lake community that includes a Spirit Lake, Okoboji, West Okoboji, Arnolds Park, um, Wahpeton um whatever else there in that community.

Bird: My request to a

Varvel: Tom Bordwell

Bird: Yes, my request to him was that he show us a comparison Emmetsburg to Algona, Spencer, Laurens and Armstrong and none of those are on here.

Varvel: No, I didn't put any of those on there if you look at my heading I say for similar situated communities or systems.

Harthan: How many communities are you the only system in?

Varvel: You know we have got a million eight views?

Harthan: In Iowa?

Varvel: In Iowa, I don't know. I've got northwest Iowa. Um the company has the rest of the state. I'm not involved with the rest of the state.

Harthan: So then you cannot tell me how many cities have competitive markets in their area.

Varvel: No, I can't.

Harthan: So, then you cannot prove to me that we do not subsidize these towns.

Varvel: I, No I don't think I could do anything to prove that to you because if you believe we do, your minds made up.

Harthan: No, I don't believe you do. I believe you make money in these towns. What your talking about here is for the basic expanded cable. Algona pays, we pay 24% more than Algona that has nothing to do with the, the HBO's and all that crap. They're going to get charged the same amount. You're going to make the same amount of money on them as you are us. In Spencer we get charged 34% more than they do for the expanded basic. Laurens, we get charged 46% more. Now you're making money in those communities or you wouldn't be there.

Varvel: Well if you know we're making money, you know something I don't.

Harthan: Na, yah right. That's what Enron said too.

Bird: Well, I guess I'd look forward to a you could send that to me a email

Varvel: If you'd tell me specifically what your request is or you'll address a written request to me. I will respond, yes sir.

Bird: Okay, well I was talking about the draft franchise agreement.

Varvel: Oh, Oh, I will send that to you.

Bird: Email is fine and uh and I may may are you the appropriate person to put a request in for a comparison of rates like say all communities you serve a within a 100 mile radius. Would that be?

Varvel: I, I guess if you make that request uh I will uh, I will obviously discuss it with the director of uh government relations who lives in uh uh Cedar Rapids, uh but uh we'll respond to that.

Bird: Okay here, here's my card a and I my email address is handwritten on the bottom.

Varvel: Okay, thank you.

Bird: So

Koppie: In response to my question, in response to uh the property and a possible rate reduction.

Varvel: Let me write that down.

Degen: Like I said earlier I think Mediacom has done a good job as far as their service and stuff and I'm satisfied with it, but I'm getting to the point where I hate to pay more for cable tv

Harthan: I'm not satisfied. I hate

Degen: I hate to pay more for cable tv then I did my first car payment.

Bird: And you're not that old.

Degen: Well I am but,

Harthan: I haven't been able to get channel 73 in for two weeks.

Councilman Zeigler: What's on channel 73?

Harthan: 73 is a movie quest channel on the expanded basic

Varvel: Have you call called it in?

Harthan: Nobody's getting it in town.

Zeigler: I'm getting it.

Varvel: Are we aware of it?

Harthan: Well, some places aren't

Zeigler: It's just black and white most times

Varvel: Has anyone called, you know our service department will be responsive we have to know if somebody is not getting service we have to be aware of it.

Hedding: hnn, hnn.

Harthan: See here's my problem. I see all these cities around here and I, I'm sorry I do not believe that you're in Spencer and not making money um. I if you are and I believe we're subsidizing it. I'm tired of sitting here and hearing the complaints from citizens. I would suggest that you get some people up here for this franchise agreement because I assume we're going to have more meetings on this and at sometime I would like to have some of your public relations people come and sit in front of the people of this town and tell them exactly what you did us and bring proof to us. Cause we're tired of it.

Varvel: Well, you folks, you submit a request for

Harthan: I just did.

Bird: No we will, we will in writing.

Koppie: When is our franchise up?

Bird: Two years.

Haack: I moved about 12 years ago when uh Mediacom's I don't know if it was Mediacom at the time.

Bird: Triax

Haack: It was terrible and the service has improved and we're are happy to have the head end out here. It is difficult for us to understand why we are paying 50 to 100% more than some nearby communities for.

Varvel: The communities that have been named off are communities where there are two providers.

Haack: I understand that.

Varvel: Just like a gas war. A, a battle will go on until someone um prevails in those markets and then the pricing will be the same as, as everywhere else. Now you can find a community in the groups where we don't have competition that has a price higher than and lower than yours. And the difference there usually is because your not in the same schedule for price increase so, so the Spirit Lake cluster has not had a price increase on their schedule the same as yours and they will be raised to to or above the price your at in that price increase and all the price is the same in the community except their family cable I believe is 3.00 dollars a month cheaper is what I think it is. Um and not every, not every system gets a rate increase on the same day.

Harthan: What, what and maybe you don't have the knowledge on this but what is this hub station or whatever you guys call it out here does that give you digital access or

Varvel: That, the reason we went to what is called master head ends is when we acquire from AT&T the AT&T brought them profits in Iowa there were something like 100 and some individual stand alone head ends. Now each, each head end would have to be equipped with equipment to bring in the product we're bringing in and with the advent of fiber optic you're able to take a head end and make it reach out 30-40-50 miles, I'm not sure the distance but not over 50 if it's that much and so Mediacom has adopted the philosophy of putting hubs out with the master head in where you can put all the equipment in it you can receive the same product they get in New York or Chicago or Atlanta or Des Moines or um Minneapolis um that takes a lot of equipment and head ends to do that. So they have done away with the standalone head ends and they've gone to master heads connected them by fiber routes to all the surrounding communities and so that head end serves is equipped like I said to bring you everything they're getting in the major metropolitan areas and it serves all those communities. The number of head ends in the state of Iowa will have been reduced from over 100 to down about 12 or 14. Um maybe that number is 16, but it is a small number and um um there are some standalone communities in the state of Iowa. In my area Viola and they're not close enough to any of those hubs to get the product that you're getting. No matter what we try to do they're not going to get it as good of product as you get we can't afford to equip a head end with that equipment to serve 1500 viewers.

Harthan: So, this head end out here actually um by the time you get all your equipment. It cost you a lot of bucks, it cost you a lot of bucks, but then you don't have the other ones out here so you don't have to repair those so hand in hand Emmetsburg's helped you finance something you're going to make a profit on and also the equipment your going to depreciate on and we gave you that land for a dollar. Remember that.

Varvel: I, I will remember that and I'll make a request that the, the lady over there asked me to make regarding the that. I don't know what the emphatics was for that transaction. Um, um I don't know have any, I was not involved in that and uh and I don't know what that was.

Harthan: We understand that.

Varvel: I'll make the request.

Harthan: But if you can get that information to the department it needs to get and we'll get send whatever John needs and we'll send whatever we need. I'd sure like to see some of your people out here and helping us with city, the lady's at the city take calls and they have to deal with irate people whenever you raise their rates and we have nothing to do with it's not their fault.

Varvel: Feel free to give them my phone number you've got my business card and I will talk with them individually. I will forward the document to you then uh I want to continue to moving forward with what we call the informal process. And um um and do that um we will try to be responsive to your request um, um for information and for discussion of that information and um move forward so on. I will get that to you very soon.

Bird: Thank you.

Council & Mayor: Thank you. Thanks for coming.

ATTEST:

Kimberly Kibbie
Deputy City Clerk, Kimberly Kibbie